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February 17, 2010

## **VIA E-FILING**

Ms. Jocelyn D. Boyd

Chief Clerk of the Commission

SC Public Service Commission

P. O. Drawer 11649

Columbia, SC 29211

RE:           Application of Avondale Mills, Inc. for Approval of a New  
Schedule of Rates and Charges for Water and Sewerage  
Services Provided to Customers  
Docket No.:   2008-460-WS  
Review of Avondale Mills, Incorporated's Rates  
Approved in Order No. 2009-394  
Docket No.:   2009-342-WS

Dear Ms. Boyd:

Please be advised that the transfer of the Avondale Mills, Inc. water and sewer systems closed Tuesday, February 16, 2010. As approved by this Commission in its order of January 6, 2010, the water system was transferred to Valley Public Service Authority. The sewer was transferred to Aiken County.

Enclosed for filing are the following agreements:

### WATER SYSTEM

- 1) Amended and Restated Waterworks Asset Purchase Agreement dated February 2, 2010;  
and
- 2) First Amendment to Amended and Restated Waterworks Asset Purchase Agreement dated February 5, 2010.

### SEWER SYSTEM

- 3) Sewer System Asset Purchase Agreement dated January 15, 2010; and
- 4) First Amendment to Sewer System Asset Purchase Agreement dated January 29, 2010.

Ms. Boyd  
February 17, 2010  
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On June 29, 2009, Avondale filed its Performance Bonds and Letters of Credit as required by Order 2009-394. Because Avondale no longer owns and operates the water and sewer systems, it is taking steps to cancel its Performance Bonds and Letters of Credit.

If you or counsel have questions, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/jcl

Enclosures

cc: Parties of Record w/enc.  
Jack Altherr

## **AMENDED AND RESTATED WATERWORKS ASSET PURCHASE AGREEMENT**

This **AMENDED AND RESTATED WATERWORKS ASSET PURCHASE AGREEMENT** (this "Agreement") is entered into this 2nd day of February, 2010 by and between **AVONDALE MILLS, INC.**, a corporation organized under the laws of the State of Alabama and having an address at 506 South Broad Street, Monroe, Georgia ("Avondale"), and **VALLEY PUBLIC SERVICE AUTHORITY ("VPSA")**, a special purpose district and a political subdivision of the State of South Carolina, and amends and restates the Waterworks Asset Purchase Agreement, dated as of October 28, 2009 and as amended January 28, 2010, by and between Avondale and VPSA.

### **WITNESSETH:**

**WHEREAS**, VPSA was originally created under Act No. 476 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1969, as amended, and is duly authorized and empowered to acquire, construct, operate, maintain, improve, and extend facilities to treat and supply water, to provide sewage and solid waste collection and disposal, and to sell water and sewer service within its authorized service area;

**WHEREAS**, under those statutory authorities, VPSA operates a waterworks and sewer system that serves customers in Aiken County, South Carolina (the "County");

**WHEREAS**, Avondale is a corporation organized under the laws of the State of Alabama;

**WHEREAS**, it is the desire and intent of the parties that, upon satisfaction of the terms and conditions of this Agreement, Avondale will sell and convey its rights, title and interest in and to the following assets, other than certain excluded assets, to VPSA: (a) a currently non-operating water treatment facility (the "Facility"); (b) the water lines, drainage lines and pipelines and the attached pumps and tanks located on, under, upon, across and through Aiken County, South Carolina and used for the purpose of supplying and distributing potable water (collectively, the "Water Lines," and collectively with the Facility, the "Avondale Water System"); and (c) the equipment and property related to the Gregg Plant fire loop (the "Fire Loop");

**WHEREAS**, VPSA desires to purchase and accept Avondale's rights, title and interest in and to the Avondale Water System and the Fire Loop in an as-is, where-is condition;

**WHEREAS**, in connection with and as a condition to this Agreement, Avondale will sell and convey its rights, title and interest in and to the following assets, other than certain excluded assets, to the County: the sanitary and storm sewer and drainage lines and pipelines and lift stations located on, under, upon, across and through Aiken County, South Carolina and used for the purpose of collecting and removing wastewater (collectively, the "Sewer System") pursuant to the Sewer System Asset Purchase Agreement, dated as of January 15, 2010 and as amended January 29, 2010, by and between Avondale and the County (the "Sewer System Asset Purchase Agreement");

**NOW, THEREFORE**, in consideration of the mutual promises contained herein the parties agree as follows:

## **ARTICLE I DEFINITIONS**

"Agreement" means this Waterworks Asset Purchase Agreement between Avondale and VPSA.

"Avondale" means Avondale Mills, Inc., a corporation organized under the laws of the State of Alabama.

"Avondale Water System" has the meaning given to such term in the factual recitals to this Agreement.

"Closing" means the closing of the transfer of the Purchased Assets, on the terms and conditions established by and as described in this Agreement.

"Closing Date" means the date on which the Closing occurs.

"County" means Aiken County, South Carolina.

"DHEC Permit" has the meaning given to such term in Section 2.4 hereof.

"Due Diligence Investigation" has the meaning given to such term in Section 4.1 hereof.

"Due Diligence Period" means the period from the date hereof until 5:00 p.m. local time on Friday, February 5, 2010.

"Excluded Assets" has the meaning given to such term in Section 2.3 hereof.

"Excluded Liabilities" has the meaning given to such term in Section 2.4 hereof.

"Facility" has the meaning given to such term in the factual recitals to this Agreement.

"Fire Loop" has the meaning given to such term in the factual recitals to this Agreement.

"Purchased Assets" has the meaning given to such term in Section 2.3 hereof.

"Real Estate Rights" has the meaning given to such term in Section 2.3(a) hereof.

"Sewer Capacity" means Avondale's capacity in a wastewater treatment plant owned and operated by the County.

"Sewer System" has the meaning given to such term in the factual recitals to this Agreement.

"Sewer System Asset Purchase Agreement" has the meaning given to such term in the factual recitals to this Agreement.

"Upgrade Subsidies" means such local, state, federal, and other grants or low-interest loans as may be available to fund the costs of retrofitting, improving, upgrading, repairing, and renovating

the Avondale Water System.

"VPSA" means Valley Public Service Authority, a special purpose district and a political subdivision of the State of South Carolina.

"Water Lines" has the meaning given to such term in the factual recitals to this Agreement.

"Water Project" means the project by VPSA relating to the Avondale Water System, as described in the Preliminary Engineering Report prepared by Dunn & Associates Engineering, Inc., and attached hereto as Exhibit A.

## **ARTICLE II TRANSFER OF PURCHASED ASSETS; CONSIDERATION**

### **Section 2.1. Conveyance.**

(a) Subject to the conditions set forth in this Agreement and excluding the Excluded Assets (as defined below), on the Closing Date, (i) Avondale shall sell and convey all of its rights, title and interest in and to the Purchased Assets to VPSA, and (ii) VPSA shall purchase and accept the Purchased Assets. The instruments of such conveyance (i) shall be in the form that is usual and customary for transferring the type of property involved under the laws of the State of South Carolina and shall contain the disclaimer language set forth in Section 2.1(b), and (ii) shall be in form and substance reasonably satisfactory to VPSA and Avondale and their respective counsel; provided, however, in no event should Avondale be required to convey its rights, title and interest in and to the Purchased Assets other than pursuant to a conveyancing instrument containing no warranties of title.

(b) VPSA ACKNOWLEDGES AND AGREES THAT, EXCEPT AS SET FORTH IN THIS AGREEMENT, AVONDALE HAS NOT MADE, DOES NOT MAKE, AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS, OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, STATUTORY, ORAL OR WRITTEN, PAST, PRESENT, OR FUTURE, OF, AS TO, CONCERNING, OR WITH RESPECT TO (A) THE VALUE, NATURE, QUALITY, OR CONDITION OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL, AND GEOLOGY, (B) THE INCOME TO BE DERIVED FROM THE PURCHASED ASSETS, (C) THE SUITABILITY OF THE PURCHASED ASSETS FOR ALL OR ANY ACTIVITIES OR USES WHICH VPSA MAY CONDUCT THEREON OR THEREWITH, (D) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PURCHASED ASSETS, (E) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PURCHASED ASSETS, (F) THE MANNER, QUALITY, STATE OF REPAIR, OR LACK OF REPAIR OF THE PURCHASED ASSETS OR (G) THE TITLE TO THE PURCHASED ASSETS. VPSA FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PURCHASED ASSETS, VPSA IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PURCHASED ASSETS AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY AVONDALE AND ACCEPTS THE PURCHASED ASSETS AND WAIVES

ALL OBJECTIONS OR CLAIMS AGAINST AVONDALE (INCLUDING, BUT NOT LIMITED TO, ANY RIGHT OR CLAIM OF CONTRIBUTION) ARISING FROM OR RELATED TO THE PURCHASED ASSETS OR TO ANY HAZARDOUS MATERIALS ON THE PURCHASED ASSETS. VPSA FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PURCHASED ASSETS WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT AVONDALE HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. AVONDALE IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS, OR INFORMATION PERTAINING TO THE PURCHASED ASSETS, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON, INCLUDING AVONDALE PERSONNEL OR REPRESENTATIVES. VPSA FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE PURCHASED ASSETS AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS, WHERE IS," CONDITION AND BASIS WITH ALL FAULTS. IT IS UNDERSTOOD AND AGREED THAT THE PURCHASE PRICE FOR THE PURCHASED ASSETS HAS BEEN ADJUSTED BY PRIOR NEGOTIATION TO REFLECT THAT ALL OF THE PURCHASED ASSETS IS SOLD BY AVONDALE AND PURCHASED BY VPSA SUBJECT TO THE FOREGOING. THE PROVISIONS OF THIS SECTION SHALL SURVIVE CLOSING AND SHALL BE INCLUDED IN ANY CONVEYANCING DOCUMENTS FROM AVONDALE TO VPSA.

Section 2.2. Consideration. Subject to the conditions set forth in this Agreement and excluding the Excluded Assets (as defined below), Avondale and VPSA agree that, as consideration for VPSA's assumption of liabilities pursuant to Section 2.4, Avondale shall sell and convey all of its rights, title and interest in and to the Purchased Assets to VPSA and shall compensate VPSA as follows:

(a) *Cash Payment.*

(1) Avondale has previously advanced the amount of Three Hundred Seventy-Five Thousand Dollars (\$375,000) to VPSA for its engineering, legal, appraisal, evaluation, and diligence fees and expenses relating to the evaluation of the Purchased Assets. The parties agree that the amounts paid pursuant to this clause (1) shall not be contingent on the Closing of the acquisition of the Purchased Assets, and in the event that such Closing does not occur, for any reason, VPSA shall have no liability whatsoever to Avondale for repayment of such amounts. VPSA agrees that Avondale is not obligated to the agents performing the work related to the amounts paid pursuant to this clause (1).

(2) In addition, Avondale shall pay VPSA the amount of One Million Four Hundred Thousand Dollars (\$1,400,000) at the Closing. The parties agree that the amounts payable pursuant to this clause (2) shall be contingent on the Closing of the acquisition of the Purchased Assets, and in the event that such Closing does not occur, for any reason, Avondale shall have no liability whatsoever to VPSA for payment of such amounts.

(b) *Sewer Capacity.* Avondale shall convey or release its rights to the Sewer Capacity to the County without further charge or condition.

**Section 2.3. Purchased Assets.** Subject to the conditions set forth in this Agreement and excluding the Excluded Assets (as defined below), on the Closing Date, Avondale will sell and convey its rights, title, and interest in and to, and VPSA will accept Avondale's rights, title, and interest in and to, the Avondale Water System and the Fire Loop, including without limitation the following:

(a) *Interests in Real Property and Fixtures.* (i) All of Avondale's land rights in fee to the property set forth in Exhibit B to this Agreement, together with the buildings (if any), structures, pipes, fixtures, and other improvements located thereon, (ii) all of Avondale's other interests in the real property as set forth in Exhibit C to this Agreement, including easements, rights of way, leaseholds, licenses, and all other rights representing less than fee ownership, (iii) all improvements that relate specifically to the Avondale Water System and the Fire Loop located on the property described on Exhibit B and Exhibit C, and (iv) all of Avondale's rights, title and interest in and to the Water Lines (collectively, the "Real Estate Rights").

(b) *Raw Water.* All of Avondale's rights in the 750,000 gallons of raw water per day pursuant to the Asset Purchase Agreement between Avondale and GAC Holdings, LLC, a South Carolina limited liability company, dated as of April 3, 2007, as amended as of September 24, 2007 (the "GAC Agreement").

(c) *Personal Property.* All of Avondale's rights in the personal property located at the Facility as of the Closing Date.

(d) *Equipment and Inventory.* All of Avondale's rights in the materials, supplies, equipment, and inventory located at the Facility as of the Closing Date.

The assets, property, and business of Avondale to be sold to and purchased by VPSA, excluding the Excluded Assets, under this Agreement are hereinafter sometimes referred to as the "Purchased Assets."

The "Excluded Assets" consist of the following: the Sewer System; performance bonds or letters of credit with the South Carolina Public Service Commission or other regulatory body; all contracts and agreements of Avondale; all cash and cash equivalents of Avondale; intellectual property, such as trade names, service names, logos, owned or licensed computer software and other like proprietary rights of Avondale (including, as applicable, the trade names "Avondale" and "Avondale Mills"); all financial, accounting, tax, personnel, and other books and records; accounts receivable; prepayments or deposits that are not related to the Purchased Assets or the Sewer System; refunds of income taxes; and all rights that accrue to Avondale under this Agreement.

**Section 2.4. Assumption of Liabilities.**

(a) Except as provided in Section 2.4(d), on the Closing Date, VPSA agrees to assume all liabilities, obligations and duties related to the Purchased Assets that arise after the Closing Date.

(b) On the Closing Date, and except as otherwise provided in this subsection (b), VPSA agrees to assume all liabilities, obligations and duties of Avondale set forth in (i) Limited Warranty Deed from Avondale to GAC, LLC, recorded in Book 4169, pages 64-82, Aiken County, South Carolina, (ii) Limited Warranty Deed from Avondale to GAC Holding, LLC, recorded in Book 4169, pages 40-63, Aiken County, South Carolina, (iii) Limited Warranty Deed from Avondale to Community Environmental Company, LLC, recorded in Book 4169, pages 19-39, Aiken County, South Carolina, (iv) Limited Warranty Deed from Avondale to Tower Graniteville, LLC, recorded in Book 4144, pages 927-935, Aiken County, South Carolina and (v) any and all other conveyancing documents granted by Avondale prior to Closing and on which a portion of the Purchased Assets are located; provided however, in no event shall VPSA assume or be deemed to assume any warranties of title granted by Avondale pursuant to the foregoing documents described in (i) through (v) above.

(c) On the Closing Date, VPSA shall assume all liabilities, obligations and duties of Avondale with respect the Public Water System Operating Permit #0240002 issued by the South Carolina Department of Health and Environmental Control regarding operation of the Avondale Water System (the "DHEC Permit").

(d) On the Closing Date, VPSA shall not assume or be liable for any of the following obligations, liabilities, or duties of Avondale (collectively, the "Excluded Liabilities"):

(1) any liability of Avondale incurred in connection with this Agreement and the transactions provided for herein, including brokerage, accounting, and counsel fees, transfer and other taxes, and expenses pertaining to the performance by Avondale of its obligations hereunder;

(2) any liability or obligation of Avondale arising under any contract or agreement, except for the DHEC Permit;

(3) any obligations to Avondale's employees, including without limitation any obligations arising under any employee retirement program, health care plan, or other benefit plan;

(4) any litigation, proceeding, claim by any person or entity, or other obligation of Avondale arising out of events occurring prior to the Closing Date; and

(5) any obligations under environmental, antitrust, civil rights, health, safety, labor, and discrimination laws arising out of events occurring prior to the Closing Date.

**Section 2.5. Limitation of Liability.** VPSA agrees that, to the fullest extent permitted by law, Avondale shall not be liable to VPSA for any claims, losses, costs, damages of any nature whatsoever or claims for expenses from any cause or causes, except for Excluded Liabilities.



**Section 2.6. Closing.** The Closing shall take place at the offices of VPSA at 10:00 a.m., local time, on such date as may be determined by the parties but in no event later than Tuesday, February 16, 2010. This Agreement shall automatically terminate if the Closing has not occurred on or prior to February 16, 2010.

### **ARTICLE III UPGRADE SUBSIDIES**

**Section 3.1. Use of Upgrade Subsidies.** It is currently intended that VPSA shall apply the Upgrade Subsidies, if and when received, to the costs of the Water Project. To the extent that the Upgrade Subsidies are insufficient to fully accomplish the Water Project, VPSA shall determine in its sole discretion which portions of the Water Project it shall undertake, and shall be under no obligation to complete the Water Project or to apply any funds other than the Upgrade Subsidies for any portion of the Water Project. Avondale shall cooperate reasonably with VPSA (such cooperation not to require any out-of-pocket costs) in applying for the Upgrade Subsidies and for all additional grants or low-interest-rate loans as may be necessary or useful for accomplishing the purposes of this Agreement; provided, however, and for the avoidance of doubt, other than its agreement to cooperate as described above, Avondale has no responsibility or obligation whatsoever with respect to the Upgrade Subsidies.

**Section 3.2. Application for Upgrade Subsidies.** VPSA shall endeavor to submit in a timely fashion all plans, reports, specifications, applications, and supporting documentation that must be presented to State and federal authorities in connection with the applications for the Upgrade Subsidies. VPSA shall hold all monetary grants or loans awarded to VPSA, in accordance with the terms and conditions upon which such grants or loans are made. VPSA shall commence construction and renovation in a timely fashion as required by the terms and conditions upon which the grants or loans are made.

### **ARTICLE IV DUE DILIGENCE PERIOD**

**Section 4.1. Due Diligence Period.** During the Due Diligence Period, VPSA may conduct such diligence, investigations, inquiries, tests, sampling, reviews, and research as it may reasonably request (the "Due Diligence Investigation") prior to accepting the conveyance of the Purchased Assets; provided that (a) such diligence, investigations, inquiries, tests, sampling, reviews, and research is under the supervision of Avondale during normal business hours and subject to the rights of the owners and operators of the properties on which the Purchased Assets are located and (b) that no site inspection may involve a Phase II level examination or other invasive technique unless Avondale consents thereto in writing. Avondale shall cooperate reasonably with VPSA in the Due Diligence Investigation. VPSA agrees to promptly repair and restore any and all damage caused to the Purchased Assets arising out of or related to the exercise of the rights granted to VPSA under this Section 4.1.

**Section 4.2. Information to be Furnished by Avondale.** To the extent that such information is not attached as an exhibit or schedule to this Agreement or has not been previously provided, then as promptly as is practicable, Avondale shall assemble and make available to VPSA the following information:

- (a) Avondale's articles of incorporation and bylaws;
- (b) copies of all resolutions, corporate actions, and minutes relating to the proposed sale of the Purchased Assets to VPSA;
- (c) surveys and legal descriptions relating to the Real Estate Rights to the extent that such information exists and is in Avondale's possession;
- (d) all security instruments with respect to the Real Estate Rights, personal property, fixtures, equipment, inventory, and accounts relating to the Purchased Assets, including without limitation mortgages, liens, leases, control agreements, and U.C.C. filings to the extent such information exists and is in Avondale's possession;
- (e) all environmental permits and licenses; and consent orders and permits relating to the Purchased Assets to the extent that such information exists and is in Avondale's possession;
- (f) all financial audits, financial statements, amounts paid for water supply and sewer treatment, customer billing records, capital expenditures, and significant repairs relating to the Purchased Assets since January 1, 2007 to the extent that such information exists and is in Avondale's possession;
- (g) all material pending and threatened legal actions relating to the Purchased Assets, if any;
- (h) all material contracts relating to the Purchased Assets to the extent that such information exists and is in Avondale's possession;
- (i) all records regarding accounts receivable, accounts payable, billing, and meter reading relating to the Avondale Water System and the Sewer System; and
- (j) such other information relating to the Purchased Assets as may be reasonably requested by VPSA and in Avondale's possession.

**Section 4.3. Termination.** If VPSA determines during the Due Diligence Period that it does not desire to accept the conveyance of the Purchased Assets, for any reason (including, without limitation, as a result of information discovered during the Due Diligence Investigation, because of the unavailability or insufficiency of the Upgrade Subsidies, or because the governing body of VPSA determines that the acquisition of the Purchased Assets is not in the best interests of VPSA's existing customers or is otherwise not desirable), then VPSA shall have the right to terminate this Agreement. In such event, VPSA shall have no further obligation to Avondale or liability under this Agreement whatsoever. Avondale shall have no further obligation to VPSA or liability under this Agreement whatsoever.

## ARTICLE V REPRESENTATIONS AND WARRANTIES

**Section 5.1. Representations and Warranties of Avondale.** Avondale represents and

warrants to VPSA as follows:

(a) *Authority to Execute and Perform Agreements.* Avondale has the full legal right and power and all authority and approvals required to enter into, execute, and deliver this Agreement and to fully perform its obligations hereunder. This Agreement has been duly executed and delivered and is the valid and binding obligation of Avondale, enforceable in accordance with its terms.

(b) *Compliance with Laws.* Except as set forth on Schedule 5.1(c).

(i) Avondale is not in violation of any order, judgment, injunction, award, or decree binding upon it with respect to the ownership, operation, and maintenance of the Purchased Assets, except such violation that would not have a material adverse effect on the Purchased Assets.

(ii) Avondale is not in violation of any federal, State, local, or foreign law, ordinance, permit, or regulation or any other requirement of any governmental or regulatory body, court, or arbitrator with respect to the ownership, operation, and maintenance of the Purchased Assets, except such violation that would not have a material adverse effect on the Purchased Assets.

(c) *Actions and Proceedings.* Except as set forth on Schedule 5.1(d), there are no actions, suits, or claims or legal, administrative, or arbitral proceedings pending or, to the best knowledge of Avondale, threatened against or involving Avondale relating to the Purchased Assets, except such actions, suits, or claims or legal, administrative, or arbitral proceedings that would not have a material adverse effect on the Purchased Assets.

(d) *Real Property.* To the best knowledge of Avondale, Exhibit B contains a legal description and tax parcel identification number of all tracts, parcels, and subdivided lots in which Avondale has an interest and which are used in connection with the Purchased Assets.

**Section 5.2. Representations and Warranties of VPSA.** VPSA represents and warrants to Avondale as follows:

(a) *Organization and Qualification.* VPSA is a special purpose district and a political subdivision, validly existing, and in good standing under the laws of South Carolina. VPSA has lawful authority to carry on the business of the Purchased Assets as now being conducted.

(b) *Authority to Execute and Perform Agreements.* VPSA has the power and all authority and approvals required to enter into, execute, and deliver this Agreement and to fully perform its obligations hereunder. This Agreement has been duly executed and delivered and is the valid and binding obligation of VPSA enforceable in accordance with its terms.

(c) *Actions and Proceedings.* There are no actions, suits, or claims, legal, administrative, or arbitral proceedings pending or, to the best knowledge of VPSA, threatened against or involving VPSA that individually or in the aggregate could have a material adverse effect upon the transactions contemplated hereby. To the best knowledge of VPSA, there is no fact, event, or circumstance that may give rise to any suit, action, claim, investigation, or proceeding that individually or in the aggregate could have a material adverse effect upon the transactions contemplated hereby.

**Section 5.3. Continued Effectiveness of Representations and Warranties.** From the date hereof through the Closing Date, Avondale shall use reasonable efforts to conduct its business and affairs in such a manner so that the representations and warranties contained in Section 5.1 hereof shall continue to be true and correct in all material respects on and as of the Closing Date as if made on and as of the Closing Date. Avondale shall promptly notify VPSA of any event, condition, or circumstance occurring from the date hereof through the Closing Date that would constitute a violation or breach of this Agreement or that would cause a representation or warranty herein made to be untrue or misleading in any material respect. Such notification shall be deemed to avoid or cure any misrepresentation or breach of warranty or constitute an amendment of any representation, warranty, or statement in this Agreement.

**Section 5.4. Survival.** The representations and warranties set forth in this Article V shall not survive the Closing Date.

## **ARTICLE VI COVENANTS; OTHER UNDERTAKINGS**

**Section 6.1. Avondale Conduct of Business.** (a) *Affirmative Covenants Pending Closing.* During the period from the date hereof to the Closing Date, Avondale shall use commercially reasonable efforts to maintain all of the Purchased Assets, in accordance with past practices and at a quality that is currently maintained.

(b) *Negative Covenants Pending Closing.* During the period from the date hereof to the Closing Date, Avondale shall not:

(i) sell, exchange, transfer, mortgage, pledge, or create or permit to be created any security interest on any of the Purchased Assets, other than in the ordinary course of business; or

(ii) knowingly incur any obligation or liability of or affecting the Purchased Assets, other than in the ordinary course of Avondale's business.

**Section 6.2. Accounts Receivable.** At Closing, Avondale shall assign to VPSA, and VPSA shall assume, Avondale's unbilled revenues, net accounts receivable, deposits and prepayments relating to the Avondale Water System and the Sewer System that are outstanding as of the Closing. Avondale agrees that it will promptly transfer or deliver to VPSA any cash or other property that Avondale may receive following the Closing with respect to such unbilled revenues, net accounts receivable, deposits and prepayments relating to the Avondale Water System and Sewer System.

**Section 6.3. VPSA Conduct of Business.** Beginning immediately following the Closing, VPSA shall (i) operate the Purchased Assets in compliance with applicable regulations, (ii) provide adequate water services to the customers of the Avondale Water System, and (iii) enter into such undertakings and arrangements as may be necessary to provide adequate water services to the customers of the Avondale Water System. Additionally, immediately following the Closing, VPSA shall notify and provide contact information to the Graniteville fire department of its ownership of the Purchased Assets.

**Section 6.4. Assistance in Transition.** Avondale agrees to cause its employees to provide the following reasonable consultation services to VPSA upon the request of VPSA: (i) consultation regarding the operation and maintenance of the Avondale Water System and the Fire Loop through February 28, 2010 and (ii) consultation regarding the management and collection of accounts receivable related to the Avondale Water System and the Sewer System through March 31, 2010. VPSA agrees to indemnify and hold harmless Avondale and its employees for any liabilities or claims arising in connection with consultation services provided pursuant to this Section 6.4.

**Section 6.5. Further Assurances.** Prior to and after the Closing Date, each of the parties shall execute such documents, further instruments of transfer and assignment, and other papers and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and the transactions contemplated hereby.

## **ARTICLE VII CONDITIONS TO CLOSING**

**Section 7.1. Conditions to Closing for Avondale.** The obligation of Avondale to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or waiver) on or prior to the Closing Date of each of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of VPSA contained in this Agreement shall be true and accurate as of the date hereof and shall be true and accurate as of the Closing Date with the same force and effect as though made on and as of the Closing Date. VPSA shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with on or prior to the Closing Date. VPSA shall have delivered to VPSA a certificate, dated the Closing Date and signed by an authorized officer, to the foregoing effect and stating that all conditions to VPSA's obligations hereunder have been satisfied.

(b) *Litigation.* No action, suit, or proceeding shall have been instituted before any court or governmental or regulatory body, or instituted or threatened by any governmental or regulatory body, to restrain, modify, or prevent the carrying out of the transactions contemplated by this Agreement, or to seek damages or a discovery order in connection with such transactions, or that has or may have a materially adverse effect on the assets, properties, business, operations, or condition (financial or otherwise) of Avondale.

(c) *Public Service Commission.* The South Carolina Public Service Commission shall have approved the conveyance of the Avondale Water System, or VPSA shall have received written confirmation that such approval is not required.

(d) *DHEC Permit.* The South Carolina Department of Health and Environmental Control shall have approved the conveyance of the Avondale Water System and the transfer of the DHEC Permit.

(e) *DHEC Consent Order.* The South Carolina Department of Health and Environmental Control shall have agreed to remove Avondale from the consent order regarding the Avondale Water System.

(f) *GAC Consent.* Avondale shall have obtained the required consent pursuant to the GAC Agreement.

(g) *Other Consents and Approvals.* Avondale and VPSA shall have obtained all other consents or approvals that are required in order to convey all of Avondale's rights, title and interest in and to the Purchased Assets to VPSA.

(h) *Sewer System Asset Purchase Agreement.* The conveyance of the Sewer System and the conveyance or release of the Sewer Capacity to the County pursuant to the Sewer System Asset Purchase Agreement shall occur contemporaneously with the Closing.

Section 7.2. Conditions to Closing for VPSA. The obligation of VPSA to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or waiver) on or prior to the Closing Date of each of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of Avondale contained in this Agreement shall be true and accurate as of the date hereof and shall be true and accurate as of the Closing Date with the same force and effect as though made on and as of the Closing Date. Avondale shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with on or prior to the Closing Date. Avondale shall have delivered to VPSA a certificate, dated the Closing Date and signed by an authorized officer, to the foregoing effect and stating that all conditions to VPSA's obligations hereunder have been satisfied.

(b) *Litigation.* No action, suit, or proceeding shall have been instituted before any court or governmental or regulatory body, or instituted or threatened by any governmental or regulatory body, to restrain, modify, or prevent the carrying out of the transactions contemplated by this Agreement, or to seek damages or a discovery order in connection with such transactions, or that has or may have a materially adverse effect on the assets, properties, business, operations, or condition (financial or otherwise) of Avondale.

(c) *No Material Change.* There shall have been no material adverse change in the financial condition, business, assets, operations, or prospects of the Purchased Assets.

(d) *Service Area.* The time period for the expansion of the legal service area of VPSA to allow service in the area currently served by the Avondale Water System shall have expired without an appropriate challenge under Section 6-11-480 of the South Carolina Code of Laws of 1976, as amended.

Section 7.3. Limitations of Conditions. Each party shall use its reasonable best efforts to satisfy their conditions; provided, however, if a condition is not satisfied and the other party decides to waive such condition and close the transaction, the party that did not satisfy its condition shall have no liability to the other party.

## **ARTICLE VIII MISCELLANEOUS**

**Section 8.1. No Other Agreements.** Avondale represents and warrants that (a) it is not a party to any other agreements with respect to the purchase, sale, or conveyance of the Purchased Assets and (b) it is not aware of any other agreement by third parties currently in effect with respect to the purchase, sale, or conveyance of the Purchased Assets.

**Section 8.2. Binding Effect: Successors.** The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, *provided* that neither party may not assign its rights and obligations hereunder without the prior written consent of the other party.

**Section 8.3. Choice of Law: Venue.** This Agreement shall be governed by and construed in accordance with the domestic laws of the State of South Carolina without giving effect to any choice or conflict of law provision or rule (whether of the State of South Carolina or any other jurisdiction). Any dispute arising hereunder shall be heard in the Court of Common Pleas for Aiken County, South Carolina.

**Section 8.4. Entire Understanding.** This Agreement expresses the entire understanding and all agreements of the parties hereto with each other, and neither party hereto has made or shall be bound by any agreement or any representation to the other party which is not expressly set forth in this Agreement, as amended or supplemented from time to time.

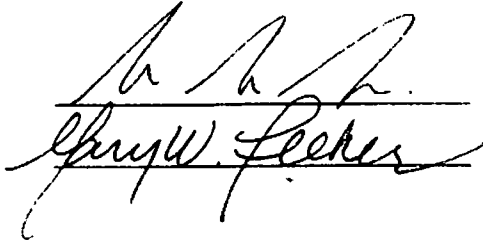
**Section 8.5. Severability.** In the event that any clause or provisions of this Agreement shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions hereof.


IN WITNESS WHEREOF, the parties do hereby execute this Agreement to evidence the agreement in principal to the terms hereof and to evidence the intent of the parties to cooperate to finalize the proposed transactions.

Signed, sealed and delivered  
in the Presence of

**Avondale Mills, Inc.,** a Alabama corporation,

[SEAL]

  
\_\_\_\_\_  
Gary W. Lecker

  
\_\_\_\_\_  
By: JACK R. ALTHERR, JR.  
Its: PRESIDENT & CEO

**Valley Public Service Authority,** a special  
purpose district and a political subdivision of the  
State of South Carolina

[SEAL]

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_



IN WITNESS WHEREOF, the parties do hereby execute this Agreement to evidence the agreement in principal to the terms hereof and to evidence the intent of the parties to cooperate to finalize the proposed transactions.

Signed, sealed and delivered  
in the Presence of

**Avondale Mills, Inc.,** a Alabama corporation,

[SEAL]

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**Valley Public Service Authority,** a special  
purpose district and a political subdivision of the  
State of South Carolina

*Calvin Smith*  
*Lynn Causee*

[SEAL]

*Otis Gibson*  
By: Otis Gibson  
Its: Chairman

Attest:

*Sarah B. Johnson*  
By: Sarah Johnson  
Its: Secretary

**Exhibit A**

**Exhibit B**  
**Fee Property**

<b>File of Attached Legal Description</b>	<b>File of Attached Plat of Survey</b>
Avondale Mills Inc. Water Filter Plant 1.41 Acres	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT: IN THE COMMUNITY OF GRANITEVILLE ON S.C. HWY # 191.
Elevated Water Tower Ergle St. 0.12 Acres	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT: WITHIN THE NEWTOWN SECTION OF GRANITEVILLE.
Well Lot at Hester Street (a/k/a Service Road) 0.02 Acres	PLAT PREPARED FOR G.A.C., L.L.C. LOCATED AT: WITHIN THE TOWN OF GRANITEVILLE
Water Pump Station at S.C. Highway No. 191 (Senn Street) 0.03 Acres  <i>(NOTE: Need to confirm during due diligence if Avondale owns and, if so, convey the Property at Closing.)</i>	UTILITY EASEMENT PLAT PREPARED FOR G.A.C., L.L.C. LOCATED AT: WITHIN THE COMMUNITY OF GRANITEVILLE AND VAUCLUSE
Fire Loop Property at Ascauga Lake Road (Parcel P1-E) 0.18 Acres, more or less  <i>(NOTE: Assessor shows this as 0.12 Acres, while Surveyor shows this as 0.18 Acres)</i>	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED WAT WATER TOWER LOT, WITHIN THE TOWN OF GRANITEVILLE, NEWTOWN SECTION

Exhibit C  
Real Estate Rights

<u>Title of Attached Legal Description</u>	<u>Title of Attached Plat of Survey</u>
Horse Creek Indigo Dye Plant Water Pump Station on Bettis Academy Road.  [NOTE: The improvements on this property are reserved to Avondale and consists of 0.29 acres per the Tax Records and 0.56 Acres per the Survey]	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT: HORSE CREEK WATER PUMP STATION ON BETTIS ACADEMY ROAD IN THE BREEZY HILL COMMUNITY SECTION OF GRANITEVILLE
Avondale Water Pumping Station	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT: GREGG STREET WATER PUMP STATION IN GRANTIEVILLE ON GREGG STREET (C-2123)
Bridge Creek Water Intake for Water Treatment Plan	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT: ON BRIDGE CREEK AND S.C. HIGHWAY 191 IN THE COMMUNITY OF GRANITEVILLE.
Fire Pump Station at Marshall Street (0.09 Acres)	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT RESERVOIR AT THE SOUTHWEST END OF GRANITEVILLE CEMETERY IN THE COMMUNITY OF GRANITEVILLE
Graniteville Fire Water Reservoir (0.31 Acres)	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT PLAN SERVICES FIRE PUMP STATION ON MARSHALL STREET 244.92 FEET WEST OF NORFOLK SOUTHERN RAILROAD IN THE GRANITEVILLE COMMUNITY
Hickman Fire Pump Station at Hard Street (0.43 Acres)	PLAT PREPARED FOR AVONDALE MILLS INC. LOCATED AT HICKMAN FIRE PUMP STATION, JUST WEST AND ADJOINING STEVENS STEAM PLANT

Any and all other easement rights inuring to the benefit of Avondale and related to the Avondale Water System Lines.

**Schedule 5.1(c)**

**The State of South Carolina before the Department of Health and Environmental Control  
Consent Order 09-051-DW  
In re: Avondale Mills, Inc.  
Public Water System No. 0240002  
Aiken County**

**The State of South Carolina before the Department of Health and Environmental Control  
Consent Order 08-021-DW  
In re: Avondale Mills, Inc.  
Public Water System No. 0240002  
Aiken County**

**Schedule 5.1(d)**

**Michael Hunt, Joe A. Taylor, A. Shane Massey, J. Roland Smith, and Tom Young, Jr.,  
Petitioners v. Avondale Mills, Inc. and South Carolina Public Service Commission, Respondents  
(Court of Common Pleas, Aiken County, South Carolina 2009-CP-02-01898).**

**Michael Hunt, Joe A. Taylor, A. Shane Massey, J. Roland Smith, and Tom Young, Jr.,  
Respondents v. Avondale Mills, Inc., Appellant. South Carolina Public Service Commission,  
Defendant. Appeal from Court of Common Pleas, Aiken County, South Carolina, Case No.:  
2009-CP-02-01898.**

**FIRST AMENDMENT TO AMENDED AND RESTATED  
WATERWORKS ASSET PURCHASE AGREEMENT**

This **FIRST AMENDMENT TO AMENDED AND RESTATED WATERWORKS ASSET PURCHASE AGREEMENT** (this "Amendment") is entered into this 5<sup>th</sup> day of February, 2010, by and between **AVONDALE MILLS, INC.**, a corporation organized under the laws of the State of Alabama and having an address at 506 South Broad Street, Monroe, Georgia ("Avondale"), and **VALLEY PUBLIC SERVICE AUTHORITY ("VPSA")**, a special purpose district and a political subdivision of the State of South Carolina.

**WITNESSETH:**

**WHEREAS**, Avondale and VPSA are parties to that certain Amended and Restated Waterworks Asset Purchase Agreement dated February 2, 2010 (the "Agreement"); and

**WHEREAS**, Avondale and VPSA have determined that the Due Diligence Period (as defined in the Agreement) with respect to the Fire Loop (as defined in the Agreement) should be extended until Wednesday, February 10, 2010.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein the parties agree as follows:

**Section 1. Amendments to Agreement.**

The definition of "Due Diligence Period" in the Agreement shall be amended and restated in its entirety to read as follows:

"Due Diligence Period" means (a) with respect to the Avondale Water System, the period from the date hereof until 5:00 p.m. local time on Friday, February 5, 2010, and (b) with respect to the Fire Loop, the period from the date hereof until 5:00 p.m. local time on Wednesday, February 10, 2010.

**Section 2. No Other Agreements.** Except as amended herein, the Agreement shall remain in full force and affect as originally executed.

**Section 3. Choice of Law; Venue.** This Amendment shall be governed by and construed in accordance with the domestic laws of the State of South Carolina without giving effect to any choice or conflict of law provision or rule (whether of the State of South Carolina or any other jurisdiction). Any dispute arising hereunder shall be heard in the Court of Common Pleas for Aiken County, South Carolina.


**Section 4. Entire Understanding.** This Amendment expresses the entire understanding and all agreements of the parties hereto with each other, and neither party hereto has made or shall be bound by any agreement or any representation to the other party which is not expressly set forth in this Amendment, as amended or supplemented from time to time.

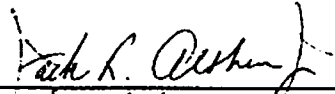
IN WITNESS WHEREOF, the parties do hereby execute this Amendment to evidence the agreement in principal to the terms hereof and to evidence the intent of the parties to cooperate to finalize the proposed transactions.

Signed, sealed and delivered  
in the Presence of

**Avondale Mills, Inc.,** a Alabama corporation,

[SEAL]

  
\_\_\_\_\_  
William D. Ruel

  
\_\_\_\_\_  
By: JACK R. ALTHOFF, JR  
Its: PRESIDENT & CEO

**Valley Public Service Authority,** a special  
purpose district and a political subdivision of the  
State of South Carolina

[SEAL]

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

By: \_\_\_\_\_  
Its: \_\_\_\_\_



IN WITNESS WHEREOF, the parties do hereby execute this Amendment to evidence the agreement in principal to the terms hereof and to evidence the intent of the parties to cooperate to finalize the proposed transactions.

Signed, sealed and delivered  
in the Presence of

Avondale Mills, Inc., a Alabama corporation,

[SEAL]

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Valley Public Service Authority, a special  
purpose district and a political subdivision of the  
State of South Carolina

Calvin Smith  
Russell J. Whitaker

[SEAL]

OTIS Gibson  
By: OTIS GIBSON  
Its: CHAIRMAN

Attest:

Sarah B. Johnson  
By: SARAH B. JOHNSON  
Its: SECRETARY